

U.S.-KOREA TRADE AGREEMENT

New York Farmers Will Benefit

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of New York agricultural products, including dairy, fruits, and beef. New York's agricultural exports to all countries, estimated at \$928 million in 2009, supported about 7,500 jobs, both on and off the farm. These export sales make an important contribution to New York's farm economy, which had total cash receipts of \$3.7 billion in 2009.

Dairy Products. The dairy industry accounted for 46 percent of the state's farm cash receipts with earnings of \$1.7 billion in 2009. New York is the nation's third largest exporter of dairy products totaling \$198 million. Under the KORUS agreement:

- Duty-free tariff-rate quotas (TRQ) will be established for cheese, skim/whole milk powder, food whey, and butter.
- U.S. feed whey exports, which totaled \$8 million in 2009, will gain duty-free access to the Korean market immediately upon implementation.

Fruits and Fruit Products. With \$115 million in 2009, the fresh and processed fruit industry was the state's third largest agricultural exporter. Under the KORUS agreement:

- Grape juice will become duty free immediately, eliminating the current duty of 45 percent.
- Many other products such as tart cherries and strawberries will see duties of 45 percent eliminated in 9 and 10 years.
- Korea's tariff of 45 percent on apples (other than Fuji) and pears (other than Asian varieties) will be eliminated in 10 years.

Cattle and Beef. New York's cattle and calf industry is the state's fifth largest source of farm cash receipts with sales of \$121 million in 2009. Under the KORUS agreement:

- For beef muscle meats, the agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

Vegetables and Vegetable Products. New York exported an estimated \$68 million in fresh and processed vegetables in 2009. Under the KORUS agreement:

- Tariffs on asparagus, canned and processed tomatoes, frozen potato fries, and chipping potatoes (during the U.S. potato shipping season) will be eliminated immediately.
- A new 3,000-metric ton duty-free TRQ is established for fresh potatoes.
- Other products such as carrots, lettuce, and sweet corn, with duties, currently ranging from 30-45 percent, phased out in either 5 or 10 years.

Wines. As a major U.S. producer and exporter of wines, \$42 million was exported worldwide from New York in 2009, the state's wine producers will benefit from this agreement as all import tariffs on wine in the growing Korean market will be immediately eliminated.

Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)		
Product	U.S. to World	New York to World
Dairy Products	\$2,335,000,000	\$198,000,000
Fruits and Fruit Products	\$5,713,000,000	\$115,000,000
Cattle and Beef	\$6,703,000,000	\$17,000,000
Vegetables and Vegetable Products	\$5,279,000,000	\$68,000,000
Wines	\$842,000,000	\$42,000,000
Agricultural Total	\$96,632,000,000	\$928,000,000

Compiled by ERS using data from Census Bureau, Commerce and NASS.

Note: All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or LPA@fas.usda.gov.